(b) World Bank in its Country Economic Memorandum (1996) has highlighted the importance of completing the financial sector reforms rapidly for promoting efficient allocation of investments required for achieving higher growth. They emphasized that some of the most important remaining aspects of financial sector reforms can only be implemented if fiscal consolidation is achieved. The report has recommended the following reforms in the financial sector: (i) restructuring of public sector banks; (ii) phasing out of the remaining controls of banks and insurance companies; (iii) accelerating development of money markets; and (iv) strengthening of prudential regulations, supervision, capital market infrastructure and of the legal and regulatory framework.

(c) The financial sector reforms are an ongoing process. Government has decided to limit the Central Government fiscal deficit to 5% of GDP in the current financial year. The various actions taken by Government on their own in the financial sector so far, amcng others, include : (i) substantial progress in deregulation of interest rates; (ii) entry of private sector banks; (iii) setting up of private sector Local Area banks with lower initial capital requirement; (iv) legislation enabling the establishment of depositories; (v) Stronger disclosure norms in respect of primary issues; and (vi) guidelines for mutual funds in general and money market mutual funds in particular.

Irregularities in Accounts of Punjab and Sind Bank

4255. SHRI HARIN PATHAK : Will the Minister of FINANCE be pleased to state :

(a) whether the Punjab and Sind bank has violated certain banking norms to show profits during the last year;

(b) whether serious lapses and non-compliance of RBI guidelines have also been pointed out by the auditors;

(c) if so, the action taken by the Government in regard thereto; and

(d) the circumstances leading to extension in service to Chairman-cum-Managing Director of the bank even without the recommendation of RBI?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) to (c). Reserve Bank of India (RBI) has intimated that Punjab & Sind bank had Capitalised a sum of Rs.15.61 crores as on 1st April, 1994, being the amount of broken period interest paid to sellers at the time of purchase of securities by the bank, for the period 1.4.1990 to 31.3.1994 by credit to income account. The Auditors observed that it was not a sound policy. Some of the other qualifications made by the auditors in the Balance Sheet of the Punjab and Sind Bank for the year 1994-95 were regarding accrued interest taken to income account and short provisions for advances. RBI, after examining the issue, had advised the bank that the broken period interest taken to the income account for the year ended 31st March, 1995 should be reversed from the income head while finalishing the accounts fro the year ended 31st march, 1996. Accordingly, the Bank has reversed the entry for Rs.15.61 crores as on 31.3.1996 by debiting provisions and contingencies and crediting investments.

(d) The tenure of the previous Chairman and managing Director of the Bank was extended by the appropriate authority until such time his successor, the present Chairman and Managing Director was appointed.

Export Quota Policy

4256. SHRI MANIKRAO HODLYA GAVIT :
SHRI PARASRAM BHARDWAJ :

Will the Minister of TEXTILES be pleased to state :

(a) whether the Union Government have abolished the quota for handloom sector in the new Textile Export Entitlement Policy (Quota Policy), 1997-99 announced recently;

(b) if so the reasons therefor and the quota announced for different sectors of textiles industry according to new policy;

(c) whether the Government have received any suggestion from textiles exporters in this regard; and

(d) if so, the details thereof and the reaction of the Government thereto?

THE MINISTER OF OF TEXTILES (SHRI R.L. JALAPPA) : (a) The reservation for the handloom sector, within the Non-Quota Exporters Entilement systems of the Textiles Export Entitlement Policy, has been abolished for the period 1997-99,. However, the handloom sector continues to enjoy a reservation in categories 369(D)/USA and 369(S)/USA as before.

(b) to (d). The Government had constituted a Task Force to give its recommendations on the new long term Textiles Export Entitlement Policy for the period 1997-99. The Task Force received suggestions from different Textiles Export promotion Councils Exporters' Associations, individual exporters and held open house meetings with exporters/interest groups in Mumbai, Madras and new Delhi. It submitted its report to the Government on 31 July, 1996. After detailed examination of the the recommendations of the Task Force, the Government announced the Textiles Export Entitlement Policy (1997-99) on 14-10-96. The systems of allotment